

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA



UNITED STATES OF AMERICA :
 :
 v. :
 :
 BRANDON LEE MICHALAK : 1:23CR 29 -1
 SARAH RENEE MICHALAK : 1:23CR 29 -2

The United States Attorney charges:

INTRODUCTORY ALLEGATIONS

At all times relevant to this Bill of Information:

1. Defendants BRANDON LEE MICHALAK and SARAH RENEE MICHALAK resided in Kernersville, North Carolina, within the State and Middle District of North Carolina.

2. Sometime in 2007 or 2008, BRANDON LEE MICHALAK and SARAH RENEE MICHALAK opened a metal recycling business, "Sarah's Recycling," which they operated between at least 2014 and 2018 from their home at 285 Hopkins Road, Kernersville, North Carolina. The business originally scrapped vehicles for the cost of the metal contained therein but ultimately transitioned to scrapping catalytic converters.

3. The Internal Revenue Service (IRS) was an agency of the United States Department of the Treasury responsible for administering the tax laws of the United States and collecting taxes owed to the United States.

4. BRANDON LEE MICHALAK and SARAH RENEE MICHALAK willfully and knowingly filed false Forms 1040, U.S. Individual Income Tax Returns for the tax years 2014 through 2018, in violation of Title 26, United States Code, Section 7206(1). BRANDON LEE MICHALAK and SARAH RENEE MICHALAK knowingly omitted substantial gross receipts generated by their Schedule C metal recycling business, "Sarah's Recycling."

5. The metal recycling business owned and operated by BRANDON LEE MICHALAK and SARAH RENEE MICHALAK specialized in the collection and bulk resale of used catalytic converters. BRANDON LEE MICHALAK and SARAH RENEE MICHALAK annually received millions of dollars in domestic wire payments from large metal refineries, while claiming gross receipts only as high as \$55,372 on their Schedule C returns for "Sarah's Recycling." BRANDON LEE MICHALAK and SARAH RENEE MICHALAK frequently made large cash withdrawals after receipt of such wire transfers. In 2018, BRANDON LEE MICHALAK and SARAH RENEE MICHALAK failed to claim any income or file a Schedule C for "Sarah's Recycling," even though the business was active until April of 2018. After that, the business name was changed to "Michalak Metals, LLC," and the business operated as an S-Corporation.

6. For tax years 2014 through 2018, BRANDON LEE MICHALAK and SARAH RENEE MICHALAK reported minimal taxable income and

claimed the Earned Income Tax Credit, which is refundable credit designed to provide relief for low to moderate-income working people. Simultaneously, BRANDON LEE MICHALAK and SARAH RENEE MICHALAK led a lavish lifestyle that included the purchases of land and a secondary home without financing. They also made payments on a home mortgage, home remodel, pool construction, boat purchase with marina storage, extravagant jewelry purchases, and 28 vehicle purchases.

7. BRANDON LEE MICHALAK performed much of the manual labor associated with purchase, transportation, and sale of the catalytic converters. BRANDON LEE MICHALAK was listed as neither an owner nor an employee of "Sarah's Recycling," but instead received monthly Social Security benefit payments and disability payments for injuries sustained during his service in the United States Army.

8. BRANDON LEE MICHALAK and SARAH RENEE MICHALAK willfully and knowingly omitted approximately \$11,022,953 in gross receipts from their Forms 1040 for the tax years 2014, 2015, 2016, 2017, and 2018.

COUNT ONE
Filing a False Tax Return – 2017
Title 26, United State Code, Section 7206(1)

9. The United States Attorney realleges and incorporates by reference herein allegations contained in paragraphs one through eight of the Introductory Allegations as if fully set forth herein, and further alleges that:

10. On or about February 25, 2018, in the Middle District of North Carolina, BRANDON LEE MICHALAK did willfully make and subscribe a 2017 Individual Income Tax Return, Form 1040, which was verified by a written declaration that it was made under the penalties of perjury. BRANDON LEE MICHALAK did not believe the return, which was filed with the IRS, to be true and correct as to every material matter in that: (1) the return failed to report approximately \$3,607,219 in gross receipts on the Schedule C, Line 1, causing Form 1040, Line 12, to underreport business income, causing Line 22, "Total Income" to be false, resulting in a fraudulently obtained refund of \$4,437 on Line 76a; (2) the return falsely claimed the "Earned Income Tax Credit" on Form 1040, Line 66a; and (3) the return falsely claimed the "Additional Child Tax Credit" on Form 1040, Line 67.

In violation of Title 26, United States Code, Section 7206(1).

COUNT TWO
Filing a False Tax Return – 2018
Title 26, United State Code, Section 7206(1)

11. The United States Attorney realleges and incorporates by reference herein allegations contained in paragraphs one through eight of the Introductory Allegations as if fully set forth herein, and further alleges that:

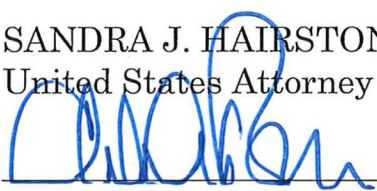
12. On or about October 14, 2019, in the Middle District of North Carolina, BRANDON LEE MICHALAK and SARAH RENEE MICHALAK did willfully make and subscribe a 2018 Individual Income Tax Return, Form

1040, which was verified by a written declaration that it was made under the penalties of perjury. BRANDON LEE MICHALAK and SARAH RENEE MICHALAK did not believe the return, which was filed with the IRS, to be true and correct as to every material matter in that: (1) they did not file a Schedule C during the 2018 tax year, which income from the Schedule C would have flowed to Schedule 1, Line 12, "Business Income or Loss," causing Form 1040, Line 6, "Total Income" to be false, resulting in a fraudulently obtained refund of \$9,317 on Form 1040, Line 20a; (2) the return falsely claimed the "Earned Income Tax Credit" on Form 1040, Line 17a; and (3) the return falsely claimed the "Additional Child Tax Credit" on Form 1040, Line 17b.

In violation of Title 26, United States Code, Section 7206(1).

DATED: January 13, 2023

SANDRA J. HAIRSTON
United States Attorney



BY: CLIFTON T. BARRETT
Assistant United States Attorney